

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 92-002-E - ORDER NO. 92-932
OCTOBER 29, 1992

IN RE:	South Carolina Electric and Gas)	ORDER APPROVING
	Company - Semi-Annual Review of)	BASE RATES FOR
	Base Rates for Fuel Costs)	FUEL COSTS

On October 22, 1992, the Public Service Commission of South Carolina (the Commission) held a public hearing on the issue of the recovery of the costs of fuel used in electric generation by South Carolina Electric & Gas Company (the Company) to provide service to its retail electric customers. The procedure followed by the Commission is set forth in S.C. Code Ann., §58-27-865 (Cum. Supp. 1990).

At the October 22, 1992, hearing, Belton T. Zeigler, Esquire, represented the Company; Nancy V. Coombs, Esquire, represented the Intervenor, the Consumer Advocate of South Carolina (the Consumer Advocate); and F. David Butler, Esquire, Staff Counsel, represented the Commission Staff. The record before the Commission consists of the testimony of four witnesses on behalf of the Company, two witnesses on behalf of the Commission Staff, and six exhibits.

Based upon the evidence of the record, the Commission makes the following findings of fact and conclusions of law:

1. The record of this proceeding indicates that for the period from March 1992 through August 1992 the Company's actual total fuel costs for its electric operations amounted to \$111,205,546.

2. Staff reviewed and compiled a percentage generation mix statistic sheet for the Company's fossil, nuclear and hydraulic plants for March 1992 through August 1992. The fossil generation ranged from a high of 75% in May 1992 to a low of 58% in April 1992. The nuclear generation ranged from a high of 36% in April 1992 to a low of 20% in May 1992. The percentage of generation by hydro ranged from 4% to 6% for this period.

3. During the March 1992 through August 1992 period, coal suppliers delivered 2,047,606 tons of coal at a weighted average received cost per ton of \$40.27. The Commission Staff's audit of the Company's actual fuel procurement activities demonstrated that the average monthly received cost of coal varied from \$39.72 per ton in August 1992 to \$41.27 per ton in March 1992.

4. The Commission Staff conducted an extensive review and audit of the Company's fuel purchasing practices and procedures for the subject period. The Staff's accounting witness, Jacqueline Cherry, testified that the Company's fuel costs were supported by the Company's books and records.

5. The Commission recognizes that the approval of the currently effective methodology for recognition of the Company's

fuel costs requires the use of anticipated or projected costs of fuel. The Commission further recognizes the fact inherent in the utilization of a projected average fuel cost for the establishment of the fuel component in the Company's base rates that variations between the actual costs of fuel and projected costs of fuel would occur during the period and would likely exist at the conclusion of the period. Section 58-27-865, supra, establishes a procedure whereby the difference between the base rate fuel charges and the actual fuel costs would be accounted for by booking through deferred fuel expenses with a corresponding debit or credit.

6. Staff witness Jacqueline Cherry testified that the comparison of the Company's fuel revenues and expenses for the period March 1992 through August 1992 produces an over-recovery of \$11,660,023 through August 1992. Adding the projected over-recovery for September 1992 of \$2,889,900 and the projected under-recovery for October 1992 of \$1,510,320 gives a cumulative over-recovery of \$13,039,603.

7. Company witness Kenneth R. Jackson, Senior Analyst in the Company's Electric Rate Department, proposed that the Commission allow the presently approved fuel component in base rates of 1.3500 cents/KWH to remain in effect for the six (6) months ending April 30, 1993. Jackson's Reply Testimony, showing actual information for the month of September, 1992 instead of estimated information, along with Jackson's Exhibit (KRJ-6)(HE2), shows that adoption of the Company's recommended fuel factor would result in a forecasted under-collection of \$198,201 at April 1993.

8. The Company's projected average fuel expense for the November 1992 through April 1993 period is 1.516 cents per KWH. However, when adjusted by the over-recovery of 0.180 cents per KWH through April 1993, the total fuel costs which is 1.336 cents per KWH, would be required to minimize the variance between the average projected fuel cost and actual fuel costs at the conclusion of the six months period ending April 30, 1993.

9. The Commission's Staff witness Randy H. Erskine, Utilities Engineer Associate II, testified that the projected fuel cost for the six-month period ending April 1993, and the cumulative over-recovery of \$13,039,603 through October 1992 would be recovered by the establishment of a fuel component of 1.300 cents per KWH in the base rates, which will produce an estimated under-recovery in the amount of \$2,600,137. Erskine's testimony, however, was not updated to include actual September figures, as was the Reply Testimony of Company witness Jackson. Jackson's Reply Testimony showed that adoption of Staff's recommended fuel factor of 1.300 cents per KWH would produce an under-collection of \$3,826,201 at April 1993.

10. Based on the testimony of Staff witness Erskine, the Commission finds that the nuclear outages of the Company during the period in question were necessary and concludes that the outages did not cause SCE&G's customers to pay unreasonable fuel costs.

11. The Commission has carefully reviewed the proposals advanced by the Company and the Commission Staff in regard to an adjustment to the fuel component in the Company's base rates.

Based upon our full review of the record in this proceeding, the Commission is of the opinion, and so finds, that the recommendation as proposed by the Company is fair and reasonable and the fuel factor should remain at 1.350 cents per KWH for the period November 1992 through April 1993. Based upon the projected fuel costs and energy sales through the next six months, the operation of a fuel component of 1.350 cents per KWH will produce a cumulative under-recovery of fuel cost in an amount of \$198,201 for the period ending April 30, 1993. The Commission considers that the adoption of this fuel cost level herein will serve to encourage the Company to continue its efforts in the exercise of reasonable prudence and efficiency in its fuel purchasing practices. The adoption of this fuel factor is in keeping with the spirit of the statute to allow utilities to recovery prudently incurred fuel costs "in a manner that tends to insure public confidence and minimize abrupt changes in charges to consumers." The continuation of a fuel factor of 1.350 cents per KWH will also tend to limit fluctuations in the fuel factor over the long term.

12. The Consumer Advocate moved at the end of the hearing that this Commission approve no fuel factor over 1.300 cents per KWH, due to the over-collections experienced by the Company in recent years. This Motion is denied, based on the reasoning as stated above.

IT IS THEREFORE ORDERED:

1. That a fuel component of 1.350 cents per KWH be, and hereby is, approved for South Carolina Electric & Gas Company, effective on bills rendered on and after November 1, 1992.

2. That South Carolina Electric & Gas Company file with the Commission, within ten (10) days of the date of this Order, rate schedules designed to incorporate our findings herein and an Adjustment for Fuel Costs, as demonstrated in Appendix A, attached hereto and incorporated by reference.

3. That the Company comply with the Notice requirements set forth in S.C. Code Ann., §58-27-865 (A) (Cum. Supp. 1990).

4. That the Company continue to file the monthly reports as previously required.

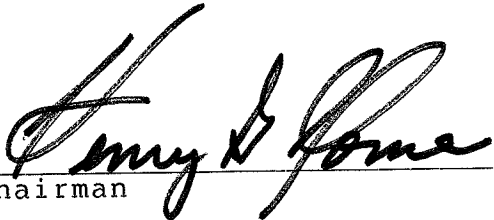
5. That the Company account monthly to the Commission for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit.

6. That the Company submit monthly reports to the Commission of fuel cost and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

7. That the Consumer Advocate's Motion is denied.

8. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

SOUTH CAROLINA ELECTRIC AND GAS COMPANY
Adjustment for Fuel Costs

APPLICABILITY

This adjustment is applicable to and is a part of the Utility's South Carolina retail electric rate schedules.

The Public Service Commission has determined that the costs of fuel in an amount to the nearest one-thousandth of a cent, as determined by the following formula, will be included in the base rates to the extent determined reasonable and proper by the Commission for the succeeding six months or shorter period:

$$F = \frac{E}{S} + \frac{G}{S_1}$$

Where:

F= Fuel cost per Kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

E= Total projected system fuel costs:

(A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

PLUS

(B) Purchased power fuel costs such as those incurred in unit power and Limited Term power purchases where the fuel costs associated with energy purchased are identifiable and are identified in the billing statement.

PLUS

(C) Interchange power fuel costs such as Short Term, Economy, and other where the energy is purchased on economic dispatch basis.

Energy receipts that do not involve money payments such as Diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

MINUS

(D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as Diversity energy and payback of storage are not defined as sales relative to this fuel calculation.

S = Projected system kilowatt-hour sales excluding any intersystem sales.

G = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in E and S.

S₁ = Projected jurisdictional kilowatt-hour sales for the period covered by the fuel costs included in E.

The appropriate revenue related tax factor is to be included in these calculations.

The fuel costs (F) as determined by Public Service Commission of South Carolina's Order No. 92-932 for the period November 1992 through April 1993 is 1.350 cents per kilowatt-hour.